

**VIRGINIA HIGHLANDS AIRPORT AUTHORITY
A COMPONENT UNIT OF
WASHINGTON COUNTY, VIRGINIA
AUDITED FINANCIAL REPORT
June 30, 2019**

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
A COMPONENT UNIT OF WASHINGTON COUNTY, VIRGINIA

AUDITED FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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LIST OF AUTHORITY MEMBERS

Frank Sims, Chairman and Assistant Treasurer

Andy Puckett, Vice-Chairman and Treasurer

Dr. James Baker, Secretary

Dr. Ellison Conrad, Assistant Secretary

Steve Quilty, Member

Danny Ruble, Member

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Virginia Highlands Airport Authority's performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019. Please read this information in conjunction with the Authority's financial statements.

The Virginia Highlands Airport Authority presents three basic financial statements. These are: (1) a Statement of Net Position (2) a Statement of Revenues, Expenditures and Changes in Net Position and (3) a Statement of Cash Flows.

Our financial position is measured in terms of resources we own and obligations we owe on a given date. This information is reported on the Statement of Net Position, which reflects the Authority's assets in relation to its debts to its suppliers, employees and other creditors. The excess of our assets over liabilities is our net position.

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenditures and Changes in Net Position. This statement shows how much our overall net assets increased or decreased during the year as a result of our operations.

Our Statement of Cash Flows discloses the flow of cash resources into and out of the Authority during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, purchases of new property, etc.).

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A summary of the Authority's Statement of Net Position for 2019 and 2018 is presented below:

Condensed Statement of Net Position

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|--------------------------|--------------------------|
| Current and Other Assets | \$ 4,074,201 | \$ 1,657,599 |
| Property and Equipment | <u>31,043,051</u> | <u>25,353,852</u> |
| Total Assets | <u>\$ 35,117,252</u> | <u>\$ 27,011,451</u> |
| Current Liabilities | \$ 4,227,959 | \$ 545,867 |
| Long Term Liabilities | <u>1,167,537</u> | <u>2,433,039</u> |
| Total Liabilities | <u>5,395,496</u> | <u>2,978,906</u> |
| Net Position | | |
| Invested in Capital Assets | 28,778,919 | 22,972,428 |
| Unrestricted | <u>942,837</u> | <u>1,060,117</u> |
| Total Net Position | <u>29,721,756</u> | <u>24,032,545</u> |
| Total Net Position and Net Assets | <u>\$ 35,117,252</u> | <u>\$ 27,011,451</u> |

The financial position of the Virginia Highlands Airport Authority is good.

A summary of the Virginia Highlands Airport Authority's Statements of Revenues, Expenditures and Changes in Net Position for 2019 and 2018 are presented below.

Condensed Statements of Revenues, Expenditures and Changes in Net Position

| | <u>2019</u> | <u>2018</u> |
|------------------------------|-------------------------|-------------------------|
| Operating Income | \$ 1,554,511 | \$ 1,573,053 |
| Operating COGS & Expenses | <u>1,809,102</u> | <u>1,757,920</u> |
| Operating Income (loss) | (254,591) | (184,867) |
| Net Non-Operating Income | <u>5,943,802</u> | <u>2,694,030</u> |
| Changes in Net Position | <u>\$ 5,689,211</u> | <u>\$ 2,509,163</u> |

Operating income is defined as the amount of revenue received from providing customer services. Of this amount, 80% of the operating income was from fuel and inventory sales.

Operating expenses are comprised of the direct expenses of operating the Airport. These expenses include fuel purchases, salaries and benefits, repairs and maintenance, occupancy, supplies, travel and depreciation. (See the full Statement of Revenues, Expenditures and Changes in Net Position for a complete breakdown of these expenses for 2019).

Non-operating income is comprised of interest, County appropriations, interest expense and federal and state capital grants. During the current year the Airport had several projects in progress where there were federal and state grant reimbursements.

Net Position increased \$5,689,211 in 2019.

A summary of the Virginia Highlands Airport Authority's Statements of Cash Flows for 2019 and 2018 are presented below:

Condensed Statement of Cash Flows

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Cash Flows From Operating Activities | \$ 74,334 | \$ 221,630 |
| Cash Flows From Non-Capital Activities | 68,978 | 236,462 |
| Cash Flows From Capital and Financing Activities | (166,842) | 142,790 |
| Cash Flows From Investing Activities | <u>3,436</u> | <u>2,583</u> |
| Net Change in Cash | (20,094) | 603,465 |
| Cash Beginning of Year | <u>1,153,842</u> | <u>550,377</u> |
| Cash Ending of Year | <u><u>\$ 1,133,748</u></u> | <u><u>\$ 1,153,842</u></u> |

Cash flows from operating activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the operating loss is decreased by the amount of any non-cash transactions and adjusted for changes in assets and liabilities. (See the full Statement of Cash Flows for a full listing of these transactions).

Cash flows from non-capital transactions are comprised of income received as operating grants. Cash flows from capital and financing activities are comprised of all the capital assets purchased by the Authority and the payment of the Authority's debt and interest. Cash flows from investing activities are comprised of interest income. During 2019 there was an decrease of \$20,094 in cash.

Capital Assets

At the end of 2019, the Virginia Highlands Airport Authority had \$31,043,051 in net property and equipment. Fixed assets are the largest asset of the Authority. This is comprised of

\$41,981,153 in fixed assets less \$10,938,102 in accumulated depreciation. (See Note 3). The Airport has started a major project involving the extension of its runway.

Debt

Virginia Highlands Airport Authority had \$2,264,132 in debt outstanding at year-end. A loan was obtained from the Commonwealth of Virginia to assist with Airport expansion (see Note 8).

Contacting the Airport's Financial Management

This financial report is designed to provide the taxpayers, customers, and our funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions or need additional financial information, contact the Airport Manager.

INDEPENDENT AUDITOR'S REPORT

To the Board
Virginia Highlands Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Highlands Airport Authority, which comprise the statement of net position as of June 30, 2019 and the related statement of revenues, expenditures and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Highlands Airport Authority as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and schedules related to pension and OPEB funding on pages _____ respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Virginia Highlands Airport Authority's basic financial statements. The supporting statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated October 14, 2019, on our consideration of Virginia Highlands Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia Highlands Airport Authority's internal control over financial reporting and compliance.

Hicok, Brown & Company

HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Abingdon, Virginia
October 14, 2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board
Virginia Highlands Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of The Virginia Highlands Airport Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Virginia Highlands Airport Authority's basic financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Highlands Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Highlands Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Highlands Airport Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Highlands Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Abingdon, Virginia
October 14, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

To the Board
Virginia Highlands Airport Authority

Report on Compliance for Each Major Program

We have audited the Virginia Highlands Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Virginia Highlands Airport Authority's major federal programs for the year ended June 30, 2019. Virginia Highlands Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Virginia Highlands Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Virginia Highlands Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Virginia Highlands Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Virginia Highlands Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Virginia Highlands Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Virginia Highlands Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Virginia Highlands Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Abingdon, Virginia
October 14, 2019

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Net Position
At June 30, 2019

Exhibit 1

| <u>Assets</u> | <u>Amount</u> |
|--|----------------------|
| Current Assets | |
| Cash on hand and in bank (Note 2) | \$ 1,133,748 |
| Accounts receivable | 40,217 |
| Grant receivable | 2,796,713 |
| Prepaid insurance | 24,189 |
| Inventory (Note 1) | <u>46,985</u> |
| Total Current Assets | \$ 4,041,852 |
| Property, Plant and Equipment (Notes 1 & 3) | |
| Land | 13,625,418 |
| Buildings | 5,493,439 |
| Improvements other than buildings | 13,353,750 |
| Construction in progress | 8,699,535 |
| Equipment | 752,820 |
| Furniture & fixtures | <u>56,191</u> |
| | 41,981,153 |
| Less: Accumulated Depreciation | <u>10,938,102</u> |
| Total Property, Plant, & Equipment | <u>31,043,051</u> |
| Total Assets | <u>\$ 35,084,903</u> |
| Deferred Outflows of Resources | |
| Pension related items | \$ 27,856 |
| OPEB related items | <u>4,493</u> |
| Total Deferred Outflows of Resources | <u>\$ 32,349</u> |
| <u>Liabilities and Net Position</u> | |
| Current Liabilities | |
| Accounts payable | \$ 2,948,081 |
| Accrued wages and taxes | 17,300 |
| Accrued interest | 12,450 |
| Deferred revenue | 59,469 |
| Current portion of long-term debt (Note 8) | <u>1,190,659</u> |
| Total Current Liabilities | \$ 4,227,959 |
| Long - Term Liabilities | |
| Loans payable less short-term portion (Note 8) | 1,073,473 |
| Accrued vacation | 13,758 |
| Pension liability | 47,681 |
| OPEB liability | <u>19,000</u> |
| Total Long - Term Liabilities | <u>1,153,912</u> |
| Total Liabilities | <u>\$ 5,381,871</u> |
| Deferred Inflows of Resources | |
| Pension related items | \$ 11,625 |
| OPEB related items | <u>2,000</u> |
| Total Deferred Inflows of Resources | <u>\$ 13,625</u> |
| Net Position | |
| Invested in capital assets, net of related debt | 28,778,919 |
| Unrestricted | <u>942,837</u> |
| Total Net Position | <u>\$ 29,721,756</u> |

The Notes to Financial Statement are an integral part of this statement.

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Revenues

Exhibit 2

| | <u>Amount</u> |
|---|-----------------------------|
| Operating Revenues: | |
| Fuel sales | \$ 1,247,389 |
| Rental income | 301,235 |
| Miscellaneous income | <u>5,887</u> |
| Total Operating Revenues | \$ 1,554,511 |
| Cost of Goods Sold: | |
| Beginning inventory at July 1, 2018 | 59,659 |
| Add: Purchases | <u>760,369</u> |
| Goods available for resale | 820,028 |
| Less: Ending inventory at June 30, 2019 | <u>46,985</u> |
| Total Cost of Goods Sold | <u>773,043</u> |
| Gross Profit | 781,468 |
| Total Operating Expenses (Schedule 1) | <u>1,036,059</u> |
| Net Income (Loss) Before Non-Operating Revenues (Expenses) and Capital Contributions | (254,591) |
| Non-Operating Revenues (Expenses) | |
| Interest income | 3,436 |
| Washington County funds | 68,978 |
| Interest expense | <u>(52,444)</u> |
| Total Non-Operating Revenues (Expenses) | <u>19,970</u> |
| Income (Loss) Before Capital Contributions | (234,621) |
| Capital Contributions | <u>5,923,832</u> |
| Change in net position | 5,689,211 |
| Net position at beginning of year | <u>24,032,545</u> |
| Net position at end of year | <u><u>\$ 29,721,756</u></u> |

The Notes to Financial Statements are an integral part of this statement

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2019

Exhibit 3

| | <u>Amount</u> |
|--|---------------------|
| Cash Flows from Operating Activities | |
| Cash received from customers and others | \$ 1,572,352 |
| Cash payments to suppliers for goods and services | (1,058,477) |
| Cash payments to employees for services and benefits | <u>(439,541)</u> |
| Net Cash Flows Provided (Used) By Operating Activities | \$ 74,334 |
| Cash Flows From Non-Capital Financing Activities | |
| Cash received from operating grants and contributions | 68,978 |
| Cash Flows From Capital and Related Financing Activities | |
| Interest paid | (57,062) |
| Repayment of principle on debt | (364,129) |
| Proceeds from debt | 246,839 |
| Capital projects & assets purchased | (3,470,458) |
| Capital contributions received | <u>3,477,968</u> |
| Net Cash Flows Provided (Used) By Capital And Related Financing Activities | (166,842) |
| Cash Flows From Investing Activities | |
| Interest Received | <u>3,436</u> |
| Increase (Decrease) In Cash and Cash Equivalents | (20,094) |
| Cash and Cash Equivalents At Beginning of Year | <u>1,153,842</u> |
| Cash and Cash Equivalents At End of Year | <u>\$ 1,133,748</u> |
| Reconciliation Of Operating Income to Net Cash Provided By Operating Activities | |
| Net loss from operations | \$ (254,591) |
| Depreciation and amortization | 307,202 |
| Net pension obligation | (11,643) |
| Net OPEB obligation | 16,507 |
| Changes in operating assets and liabilities | |
| Receivables | 7,626 |
| Inventory and prepaids | 12,674 |
| Payables and other liabilities | <u>(3,441)</u> |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 74,334</u> |

The Notes to Financial Statements are an integral part of this statement.

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Financial Statements of the Virginia Highlands Airport Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Proprietary Fund Type

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is upon determination of net income, financial position, and cash flows. The proprietary fund of the Authority is an Enterprise Fund which includes all of the Authority's operations.

Enterprise Fund

The Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

Reporting Entity

The Authority has been included in the general purpose financial statements of Washington County, Virginia as a component unit, in accordance with Statement 61 of the Governmental Accounting Standards Board.

Basis of Accounting

The Enterprise Fund uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Inventory

The Inventory is valued at lower of cost or market using the first in, last out method.

Cash and Cash Equivalent

Virginia Highlands Airport Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

Property, Plant, and Equipment

Property, plant, and equipment purchased are stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

| | |
|--|-------------|
| Buildings..... | 30-40 years |
| Improvements other than buildings..... | 15-25 years |
| Equipment..... | 5-20 years |

Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 - CASH AND INVESTMENTS

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359 et. seq. of the Code of Virginia or covered by federal depository insurance. The Authority has no investments as of or for the year ended June 30, 2019.

NOTE 3 - CHANGES IN FIXED ASSETS

A summary of the changes in fixed assets follows:

| | Balance 7/1/2018 | Additions | Deletions | Balance 6/30/2019 |
|--------------------------|----------------------|---------------------|---------------------|----------------------|
| Land | \$ 12,024,761 | \$ 1,600,658 | \$ - | \$ 13,625,419 |
| Buildings | 5,475,839 | 17,600 | - | 5,493,439 |
| Improvements | 13,121,153 | 232,596 | - | 13,353,749 |
| Equipment | 692,120 | 60,700 | - | 752,820 |
| Furniture & Fixtures | 56,191 | - | - | 56,191 |
| Construction in Progress | 4,614,688 | 5,918,100 | 1,833,253 | 8,699,535 |
| Totals | 35,984,752 | <u>\$ 7,829,654</u> | <u>\$ 1,833,253</u> | 41,981,153 |
| Accumulated Depreciation | (10,630,900) | | | (10,938,102) |
| Net | <u>\$ 25,353,852</u> | | | <u>\$ 31,043,051</u> |

Depreciation expense for the year ending June 30, 2019 was \$307,202.

NOTE 4 – COMPENSATED ABSENCES:

In accordance with GASB Statement 16 “Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences”, the Authority has accrued the liability arising from outstanding claims and judgments and compensated absences.

The Authority employees earn 12 days of vacation after they have been employed with the Authority for one year. Vacation time accrues monthly up to a maximum of 80 hours without prior approval from management. At June 30, 2019 the Authority had outstanding accrued leave of \$13,758.

NOTE 5 - LEASES

Lease Revenue

The Authority has various operating lease agreements for buildings currently rented in their operation. The rental agreements have various rates and terms.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
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June 30, 2019

NOTE 5 – LEASES (CONTINUED)

The following is a schedule of future minimum rental payments required to be received under operating lease terms in excess of one year as of June 30, 2019.

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|-------------------|
| 2020 | \$ 126,572 |
| 2021 | 146,026 |
| 2022 | 100,662 |
| 2023 | 12,335 |
| 2024 | 12,335 |
| 2025-2029 | 63,237 |
| 2030-2034 | 65,581 |
| 2035-2039 | 48,760 |
| 2040-2042 | <u>4,232</u> |
| Totals | <u>\$ 579,740</u> |

NOTE 6 - CONTINGENT LIABILITIES

In the normal course of operations, the Authority receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material. The Authority is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year.

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| RETIREMENT PLAN PROVISIONS | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> | <p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1- |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
|---|--|--|
| <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an Optional Retirement Plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer</p> | <p>Retirement Contributions Same as Plan 1.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may</p> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
|--|---|---|
| <p>contributions to provide funding for the future benefit payment.</p> | | <p>choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |
| <p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |
| | | |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
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| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer </p> |
|--|--|--|

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
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| | | <p>contributions.</p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p> |
| <p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> |
| <p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-</p> | <p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement</p> | <p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
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| <p>hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p> | <p>multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> | <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> |
| <p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p> | <p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five</p> | <p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security</p> | <p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u></p> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
|---|---|--|
| <p>years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p> | <p>retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%),</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
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| <p>half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job | <p>for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p> | <p>Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |
|---|---|---|

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
|--|---|---|
| <p>performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | | |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> | <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> | <p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> |
| <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | |
|---|--|---|
| <p>retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | | <p><u>Defined Contribution Component:</u> Not applicable.</p> |
|---|--|---|

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>4</u> |
| Inactive members: | |
| Vested inactive members | 1 |
| Non-vested | 0 |
| LTD | 0 |
| Inactive members active elsewhere in VRS | <u>0</u> |
| Total inactive members | 1 |
| Active members | <u>6</u> |
| Total covered employees | <u><u>11</u></u> |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required contribution rate for the year ended June 30, 2019 was 5.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$14,780 and \$11,829 for the years ended June 30, 2019 and June 30, 2018, respectively.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total position liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent – 5.35 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non Hazardous Duty: 20% of deaths are assumed to be services related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Health Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates to ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy and disabled): Update to a more mortality table – RP-2014 projected to 2020.

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75.

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service.

Disability Rates: Lowered rates.

Salary Scale: No change.

Line of Duty Disability: Increase rate from 14% to 20%.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled): Update to a more mortality table – RP-2014 projected to 2020.

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75.

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service.

Disability Rates: Lowered rates.

Salary Scale: No change.

Line of Duty Disability: Increase rate from 14% to 15%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|------------------------|--------------------------------------|--|--|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.56% | 1.43% |
| | 100.00% | | 4.80% |
| | Inflation | | 2.50% |
| | * Expected arithmetic nominal return | | 7.30% |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a medium return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the VRS Board of Trustees for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuation, whichever was greater. From July 1, 2018 on participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

| | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability (a) - (b)</u> |
|--|--|--|--|
| Balance at June 30, 2017 | \$ 591,083 | \$ 544,715 | \$ 46,368 |
| Changes for the year: | | | |
| Service Cost | 13,361 | - | 13,361 |
| Interest | 40,453 | - | 40,453 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Difference between expected and actual experience | 11,292 | - | 11,292 |
| Contributions - employer | - | 11,829 | (11,829) |
| Contributions - employee | - | 12,022 | (12,022) |
| Net investment income | - | 40,322 | (40,322) |
| Benefit payments, including refunds of employee contributions | (26,359) | (26,359) | (52,718) |
| Administrative expenses | - | (344) | 344 |
| Other changes | - | (36) | 36 |
| Net changes | <u>38,747</u> | <u>37,434</u> | <u>1,313</u> |
| Balance at June 30, 2018 | <u>\$ 629,830</u> | <u>\$ 582,149</u> | <u>\$ 47,681</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | <u>(6.00%)</u> | <u>Rate (7.00%)</u> | <u>(8.00%)</u> |
|-----------------------|-------------------|---------------------|--------------------|
| Net Pension Liability | <u>\$ 131,890</u> | <u>\$ 47,681</u> | <u>\$ (20,401)</u> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$3,138. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 13,075 | \$ - |
| Change in assumptions | \$ - | \$ 6,885 |
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 4,740 |
| Employer contributions subsequent to the measurement date | \$ 14,781 | \$ - |
| Total | <u>\$ 27,856</u> | <u>\$ 11,625</u> |

\$27,856 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | |
|---------------------------|----------|
| 2021 | \$ 3,334 |
| 2021 | 914 |
| 2022 | (3,941) |
| 2023 | 1,143 |
| 2024 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://varetire.org/Pdf/publications/2017-annual-report.pdf> or by writing to the System's CFO at P.O. Box 2500, Richmond, VA 23218

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Payables to the Pension Plan

At June 30, 2019, the Authority reported a payable of \$2,298 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN)

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit options

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$3,493 and \$3,149 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the entity reported a liability of \$19,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00126% as compared to 0.00126% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ 1,000 | \$ - |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 1,000 |
| Change in assumptions | - | 1,000 |
| Change in proportion | - | - |
| Employer contributions subsequent to the measurement date | <u>3,493</u> | <u>-</u> |
| Total | <u>\$ 4,493</u> | <u>\$ 2,000</u> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

\$4,493 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year ended June 30 | |
|--------------------|---------|
| FY 2020 | (1,000) |
| FY 2021 | - |
| FY 2022 | - |
| FY 2023 | - |
| FY 2024 | - |
| Thereafter | - |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|--|--------------|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| General state employees | 3.5% - 5.35% |
| Teachers | 3.5% - 5.95% |
| SPORS employees | 3.5% - 4.75% |
| VaLORS employees | 3.5% - 4.75% |
| JRS employees | 4.5% |
| Locality - General employees | 3.5% - 5.5% |
| Locality - Hazardous Duty employees | 3.5% - 4.75% |

Investment rate of return 7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP2014 projected to 2020

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates: Adjusted rates to better match experience

Salary Scale: No change

Line of Duty Disability: Increased rate from 14% to 25%

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP2014 projected to 2020

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates: Adjusted rates to better match experience

Salary Scale: No change

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience

Retirement Rates: Increased age 50 rates and lowered rates at older ages

Withdrawal Rates: Adjusted rates to better fit experience

Disability Rates: Adjusted rates to better match experience

Salary Scale: No change Line of Duty Disability Increased rate from 60% to 85%

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience

Retirement Rates: Increased age 50 rates and lowered rates at older ages

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates: Adjusted rates to better match experience

Salary Scale: No change

Line of Duty Disability: Decreased rate from 50% to 35%

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP2014 projected to 2020

Retirement Rates: Decreased rates at first retirement eligibility

Withdrawal Rates: No change

Disability Rates: Removed disability rates

Salary Scale: No change

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP2014 projected to 2020

Retirement Rates: Lowered retirement rates at older ages and extended final retirement age from 70 to 75

Withdrawal Rates: Adjusted termination rates to better fit experience at each age and service year

Disability Rates: Lowered disability rates

Salary Scale: No change

Line of Duty Disability: Increased rate from 14% to 20%

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP2014 projected to 2020

Retirement Rates: Lowered retirement rates at older ages and extended final retirement age from 70 to 75

Withdrawal Rates: Adjusted termination rates to better fit experience at each age and service year

Disability Rates: Lowered disability rates

Salary Scale: No change

Line of Duty Disability: Increased rate from 14% to 15%

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP-2014 projected to 2020

Retirement Rates: Increased age 50 rates and lowered rates at older ages

Withdrawal Rates: Adjusted termination rates to better fit experience at each age and service year

Disability Rates: Adjusted rates to better match experience

Salary Scale: No change

Line of Duty: Disability Decreased rate from 60% to 45%

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

| | |
|---|--|
| | Group Life Insurance <u>OPEB Program</u> |
| Total GLI OPEB Liability | \$ 3,113,508 |
| Plan Fiduciary Net Position | <u>1,594,773</u> |
| Employers' Net GLI PPEB Liability (Asset) | <u><u>\$ 1,518,735</u></u> |

| | |
|--|--------|
| Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability | 51.22% |
|--|--------|

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|------------------------|-------------------------------------|--|--|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.30% |

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The follow presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00 % Increase (8.00%) |
|--|---------------------------|----------------------------------|----------------------------|
| Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability | \$ 25,000 | \$ 19,000 | \$ 14,000 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2019, the Authority reported a payable of \$294 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 – NOTES PAYABLE

| | Interest Rate | Payment Amount | Balance 7/1/2018 | New Issues | Principle Repayment | Balance 6/30/2019 | Due Within One Year | Maturity Date |
|---------------------|------------------|---------------------------|---------------------|-------------------|------------------------|----------------------|---------------------------|------------------|
| VRA | 4.87% | \$19,666 Semi-Annual | \$ 375,555 | \$ - | \$ 21,298 | \$ 354,257 | \$ 21,298 | 3/1/2031 |
| FB&T | 2.75% | Interest Only | 1,512,191 | - | 342,831 | 1,169,360 | 1,169,361 | 11/20/2019 |
| Comm of Virginia | 0.00% | Payment begins by 12-2021 | 493,676 | 246,839 | - | 740,515 | - | 12/31/2024 |
| Total | | | <u>\$ 2,381,422</u> | <u>\$ 246,839</u> | <u>\$ 364,129</u> | <u>\$ 2,264,132</u> | <u>\$ 1,190,659</u> | |

During the year the Airport entered into a bridge loan with the Commonwealth of Virginia. This is a 0.00% loan which payments are set to begin no later than December 31, 2021 and the loan is to be paid in full by December 31, 2024. This is the third of four loans to be received by the Authority in the amount of \$246,839. The payback of these loans will be funded by the Federal Airport Improvement Grants.

Scheduled principal and interest payments are as follows:

| Year Ended June 30 | Principle | Interest |
|-----------------------|---------------------|-------------------|
| 2020 | \$ 1,191,708 | \$ 30,382 |
| 2021 | 23,450 | 15,882 |
| 2022 | 271,445 | 14,726 |
| 2023 | 272,657 | 13,513 |
| 2024 | 273,928 | 12,240 |
| 2025-2029 | 156,850 | 39,807 |
| 2030-2031 | 74,094 | 4,564 |
| Total | <u>\$ 2,264,132</u> | <u>\$ 131,114</u> |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflow is pension expense of \$27,856.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflow is changes in the net pension liability of \$11,625.

NOTE 11 – RELATED PARTIES

In the normal course of operations the Authority leases hanger and office rental space. At various times, Hanger space is rented to board members and the lease terms are comparable to other leases entered into by the Authority.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2019, the date which the financial statements were available to be issued.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Virginia Highlands Airport Authority
Schedule of Changes in the Net Pension Liability and Related Ratios
At June 30, 2019

Exhibit A

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability | | | | | |
| Service cost | \$ 13,361 | \$ 14,056 | \$ 13,370 | \$ 16,723 | \$ 15,722 |
| Interest | 40,453 | 39,056 | 37,116 | 34,484 | 32,821 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 11,292 | 5,413 | 3,242 | 12,187 | - |
| Changes in assumptions | - | (12,371) | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(26,359)</u> | <u>(26,031)</u> | <u>(26,000)</u> | <u>(25,585)</u> | <u>(23,975)</u> |
| Net change in total pension liability | 38,747 | 20,123 | 27,728 | 37,809 | 24,568 |
| Total pension liability - beginning | 591,083 | 570,960 | 543,232 | 505,423 | 480,855 |
| Total pension liability - ending | <u>\$ 629,830</u> | <u>\$ 591,083</u> | <u>\$ 570,960</u> | <u>\$ 543,232</u> | <u>\$ 505,423</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 11,829 | \$ 11,223 | \$ 8,471 | \$ 8,503 | \$ 13,899 |
| Contributions - employee | 12,022 | 11,630 | 11,206 | 11,248 | 11,583 |
| Net investment income | 40,322 | 59,680 | 8,328 | 21,563 | 64,337 |
| Benefit payments, including refunds of employee contributions | (26,359) | (26,031) | (26,000) | (25,585) | (23,975) |
| Administrative expense | (344) | (341) | (303) | (297) | (343) |
| Other | <u>(36)</u> | <u>(53)</u> | <u>(4)</u> | <u>(5)</u> | <u>4</u> |
| Net change in total pension liability | 37,434 | 56,108 | 1,698 | 15,427 | 65,505 |
| Total pension liability - beginning | 544,715 | 488,607 | 486,909 | 471,482 | 405,977 |
| Total pension liability - ending | <u>\$ 582,149</u> | <u>\$ 544,715</u> | <u>\$ 488,607</u> | <u>\$ 486,909</u> | <u>\$ 471,482</u> |
| Political subdivision's net pension liability - ending | \$ 47,681 | \$ 46,368 | \$ 82,353 | \$ 56,323 | \$ 33,941 |
| Plan fiduciary net position as a percentage of the total pension liability | 92.43% | 92.16% | 85.58% | 89.63% | 93.28% |
| Covered - employee payroll | \$ 266,652 | \$ 240,435 | \$ 232,595 | \$ 224,111 | \$ 224,954 |
| Political subdivision's net pension liability as a percentage of covered-employee payroll | 17.88% | 19.29% | 35.41% | 25.13% | 15.09% |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2019

EXHIBIT B

| Date | Contractually Required Contribution | Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|------|---|--|--|--|--|
| 2019 | \$ 14,781 | \$ 14,781 | \$ - | \$ 266,652 | 5.54% |
| 2018 | 11,829 | 11,829 | - | 240,435 | 4.92% |
| 2017 | 10,975 | 10,975 | - | 232,595 | 4.72% |
| 2016 | 8,471 | 8,471 | - | 224,111 | 3.78% |
| 2015 | 10,975 | 10,975 | - | 232,595 | 4.92% |

**Notes to Required Supplemental Information
 For the Year Ended June 30, 2018**

Change of benefit terms - There have been no actuarially material changes to the Systems benefits provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest - Non-hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy and disability: Update to a more current mortality table
 RP-2014 projected to 2020

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75.

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service.

Disability Rates: Lowered rates

Salary Scale: No change

Line of Duty Disability: Increase rate from 14% to 20%

All Others (Non 10 Largest) - Non-hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disability: Update to a more current mortality table
 RP-2014 projected to 2020

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75.

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service.

Disability Rates: Lowered rates

Salary Scale: No change

Line of Duty Disability: Increase rate from 14% to 15%

Virginia Highlands Airport Authority
 Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2019

Exhibit C

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|-------------|---|---|---|--|---|
| 2018 | 0.00126% | \$ 19,000 | \$ 266,652 | 7.13% | 51.22% |
| 2017 | 0.00125% | 19,000 | 240,435 | 7.90% | 48.86% |

Schedule is intended to show information for 10 years. Information prior to 2017 valuation is not available. However, additional years will be included as they become available.

Virginia Highlands Airport Authority
 Schedule of Employer Contributions
 Group life Insurance Program
 For the Years Ended June 30, 2018 through June 30, 2019

Exhibit D

| <u>Date</u> | <u>Contractually Required Contributions (1)</u> | <u>Contributions in Relation to Contractually Required Contributions (2)</u> | <u>Contribution Deficiency (Excess) (3)</u> | <u>Employer's Covered Payroll (4)</u> | <u>Contributions as a % of Covered Payroll (5)</u> |
|-------------|---|--|---|---|--|
| 2019 | \$ 3,493 | \$ 3,493 | \$ - | \$ 266,652 | 1.31% |
| 2018 | 3,149 | 3,149 | - | 240,435 | 1.31% |

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation

Change of assumptions - The following changes in the actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016

General State Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |

Teachers

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

SPORS Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better match experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

VaLORS Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |

JRS Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

Largest Ten Locality Employers - Hazardous Duty Employers

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Lowered age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rates from 60% to 45% |

Non-Largest Ten Locality Employers - Hazardous Duty Employers

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -RP- 2014 projected to 2020 |
| Retirement Rates | Lowered age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rates from 60% to 45% |

VIRGINIA HIGHLANDS AIRPORT AUTHORITY

SUPPORTING INFORMATION

JUNE 30, 2019

Virginia Highlands Airport Commission
A Component Unit of Washington County, Virginia
Schedule of Operating Expenses
For the Year Ended June 30, 2019

Schedule 1

| | <u>Amount</u> |
|--------------------------|---------------------|
| Operating Expenses: | |
| Advertising | \$ 2,479 |
| Professional fees | 19,736 |
| Salaries | 340,539 |
| Travel and meetings | 15,022 |
| Dues and fees | 9,922 |
| Retirement and benefits | 73,974 |
| Utilities | 46,407 |
| Supplies | 16,473 |
| Insurance | 34,587 |
| Payroll taxes | 34,250 |
| Other taxes | 203 |
| Merchant processing fees | 19,509 |
| Depreciation | 307,202 |
| Repairs and maintenance | 110,496 |
| Miscellaneous | 5,260 |
| | <hr/> |
| Total Operating Expenses | <u>\$ 1,036,059</u> |

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Schedule of Federal Assistance
For the Year Ended June 30, 2019

| <u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u> | <u>Federal Catalog Number</u> | <u>Expenditures</u> |
|--|---------------------------------------|----------------------------|
| Department of Transportation Direct Payments: | | |
| Airport Improvement Program | 20.106 * | <u>\$ 5,451,030</u> |
| Total | | <u><u>\$ 5,451,030</u></u> |

* Denotes Major Program

Notes to the Schedule of Expenditures of Federal Awards

Note A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Virginia Highlands Airport Authority under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Virginia Highlands Airport Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Virginia Highlands Airport Authority.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Virginia Highlands Airport Authority did not elect to use the 10% de minimus cost rate as it typically only requests direct costs for reimbursement.
- (4) No awards were passed through to subrecipients

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

Schedule 3

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

| | |
|--|------------|
| Type of Auditors' report issued: | Unmodified |
| Internal control over financials reporting: Material weaknesses identified? | No |
| Significant deficiencies identified? | No |
| Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

| | |
|--|------------|
| Internal control over major programs: Material weaknesses identified? | No |
| Significant deficiencies identified? | No |
| Type of auditors' report issued on compliance for major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Section 200.516? | No |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Identification of Federal Programs:

| | |
|--------|------------------------------------|
| CFDA # | NAME OF FEDERAL PROGRAM OR CLUSTER |
| 20.106 | Airport Improvement Program |